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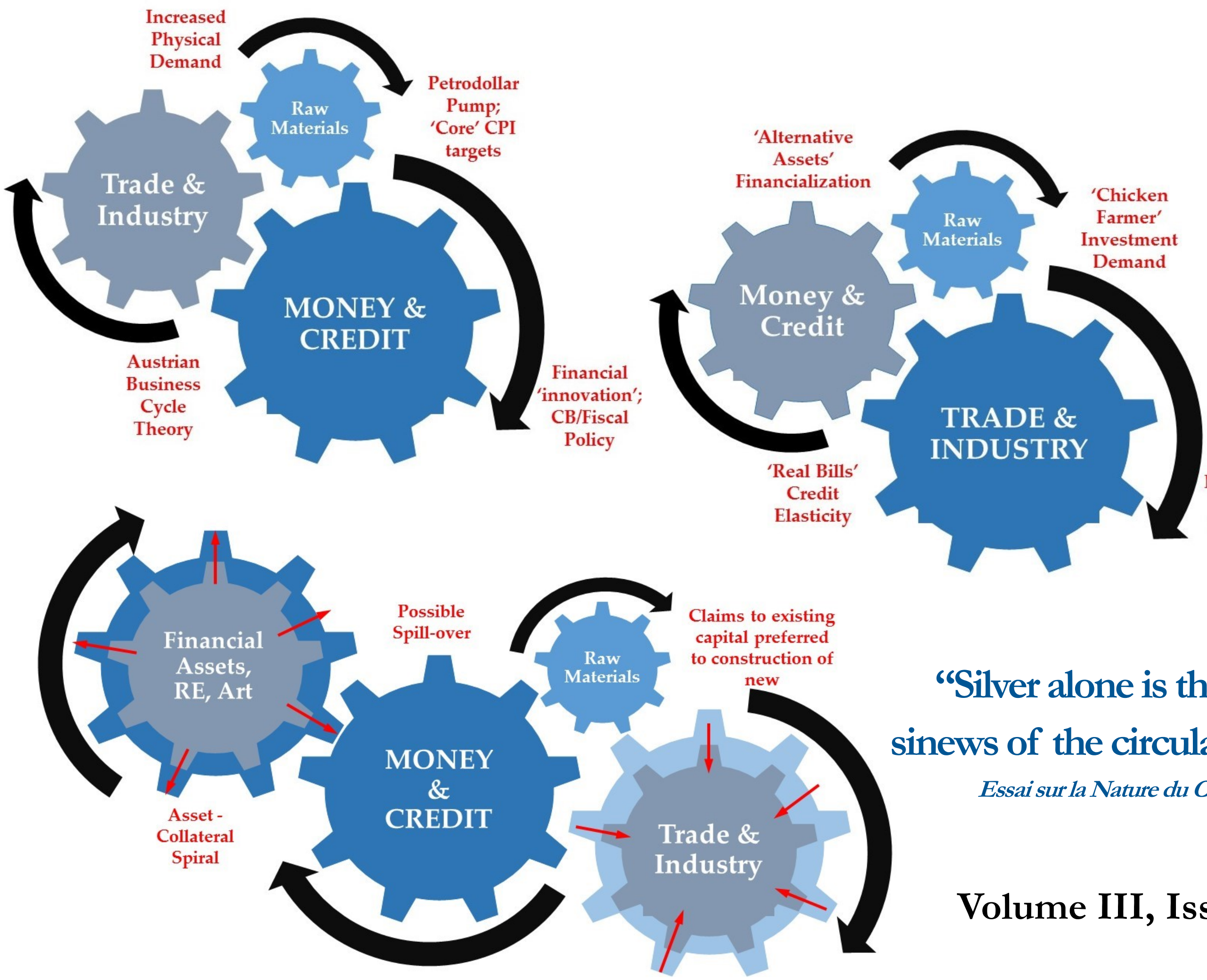

> "Silver alone is the true sinews of the circulation"
>
> *Essai sur la Nature du Commerce*

Volume III, Issue II

Touching Base

Money creation amid a climate of hysteria

The process [of credit creation] is now clearly explained in any text-book on economics, banking or money. Without an understanding of this process and of its limitations, no real insight into the working of our banking system and, consequently, of our entire economic system seems possible, to say nothing of the mechanism of business cycles. There may still be many people who can no more believe the story of the genesis of bank money than they can believe the genesis of the Bible, but on the whole it now seems to be generally accepted.

Wilhelm Roepke, 'Crises & Cycles', 1936

Touching Base

Money makes the world go around but it also seems to make the world go mad. Economics - and its applied branch of finance - is a discipline rife with houses built on sand, pseudo-scientific shibboleths, and unexamined or half-remembered doctrines but, once people turn their attention to one of its core abstractions, money, they often degenerate into credulous near-lunacy.

Take the current vogue for publishing charts of the 'global monetary base' or - one step back into the mists from even that construct - 'global central bank assets' (by which description is usually meant the aggregate of the four largest of them).

Typically, the chart jockeys who most avidly push this forget the critical fact that by calculating it in a common currency, US dollars by default, the impact of any variation in that denominator on the outstanding stock of the other constituents tends to dominate any simultaneous change in the flow.

Thus, we have had people breathlessly ascribing the January rebound in equities to a surge in either GMB or GCBA when, we had not yet received any actual data from the bulk of them, but when the greenback had briefly weakened.

DOH!

But, beyond that, there are deeper problems with this widely-shared penchant for being wholly mechanistic about such measures.

Yes, we all know that central bank activism has been responsible for the great inflation in the prices of assets as well as in a whole host of non-tradeable goods, such as property; and we know, too, that such crass intervention has been reflected in a ballooning of their balance sheets and, by extension, of the reserves which make up the counterpart to the most elastic part of the monetary base.

But - and it is a big 'but' - the undue significance attached to this phenomenon stems largely from the faulty, textbook notion of the 'money multiplier'; the idea that once the mighty central bank adds reserves to the system, the commercial banks under its sway collectively rush to disembarrass themselves of the drag it represents on their earning assets, engaging in a furious game of pass-the-parcel until they have created new monetary liabilities in proportion to the inverse of the mandatory reserve ratio (less a little arithmetical slippage relating to their and the broader public's use of physical notes and coin).

Even in days of yore, when reserve ratios were meaningful, this tended to be an inversion of the truth. What typically happened was that banks first made loans and *then* subsequently

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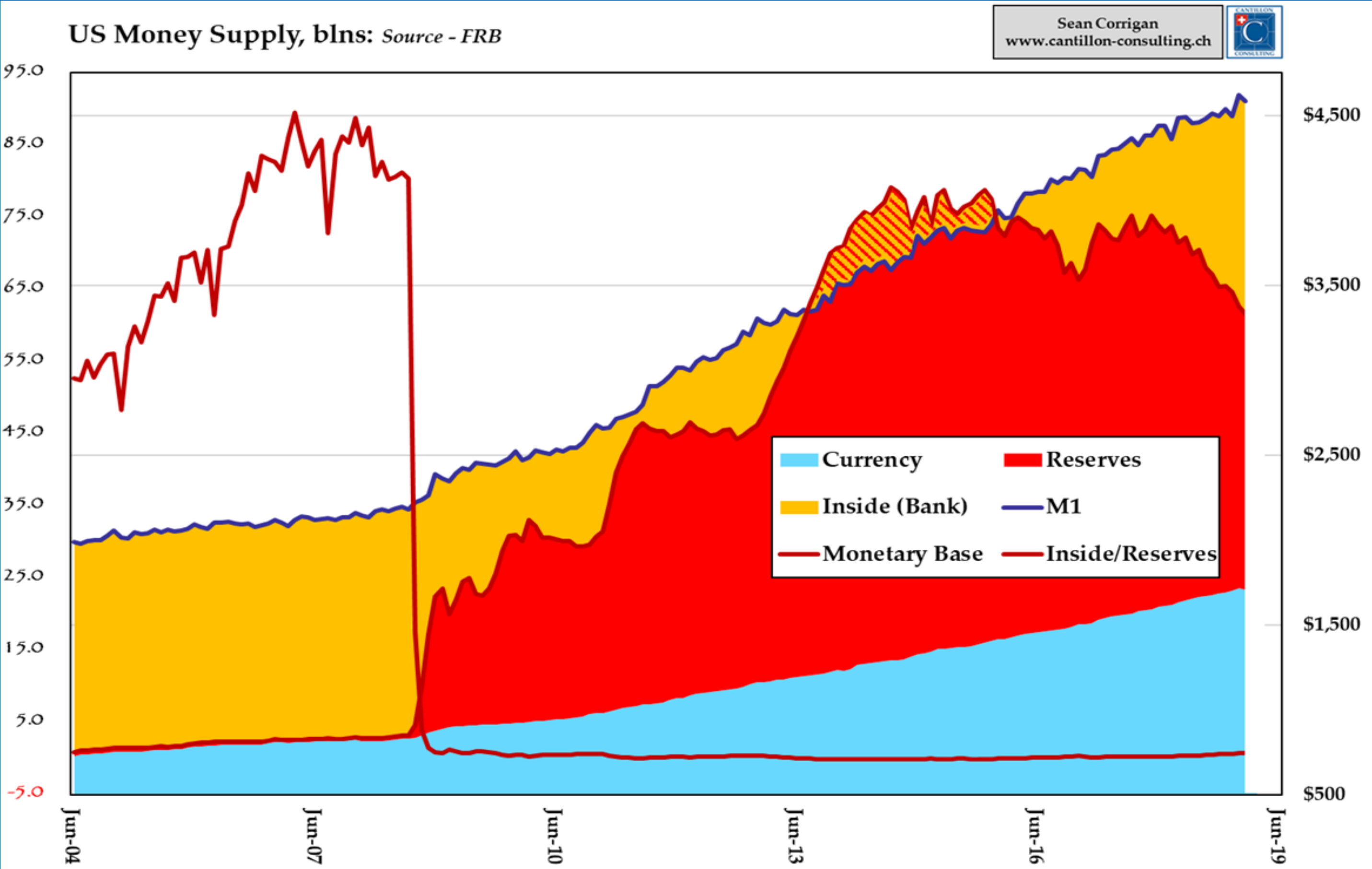
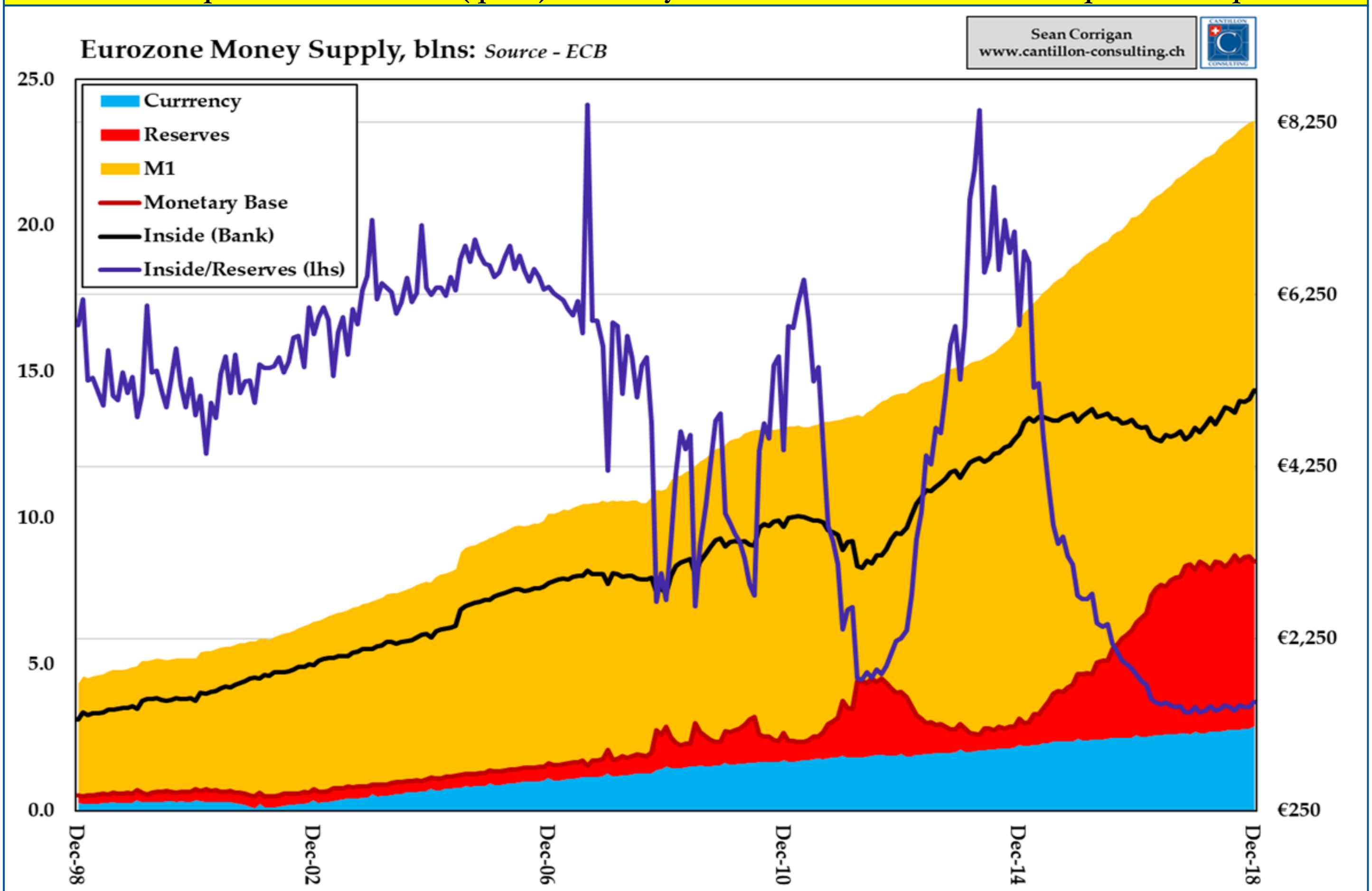
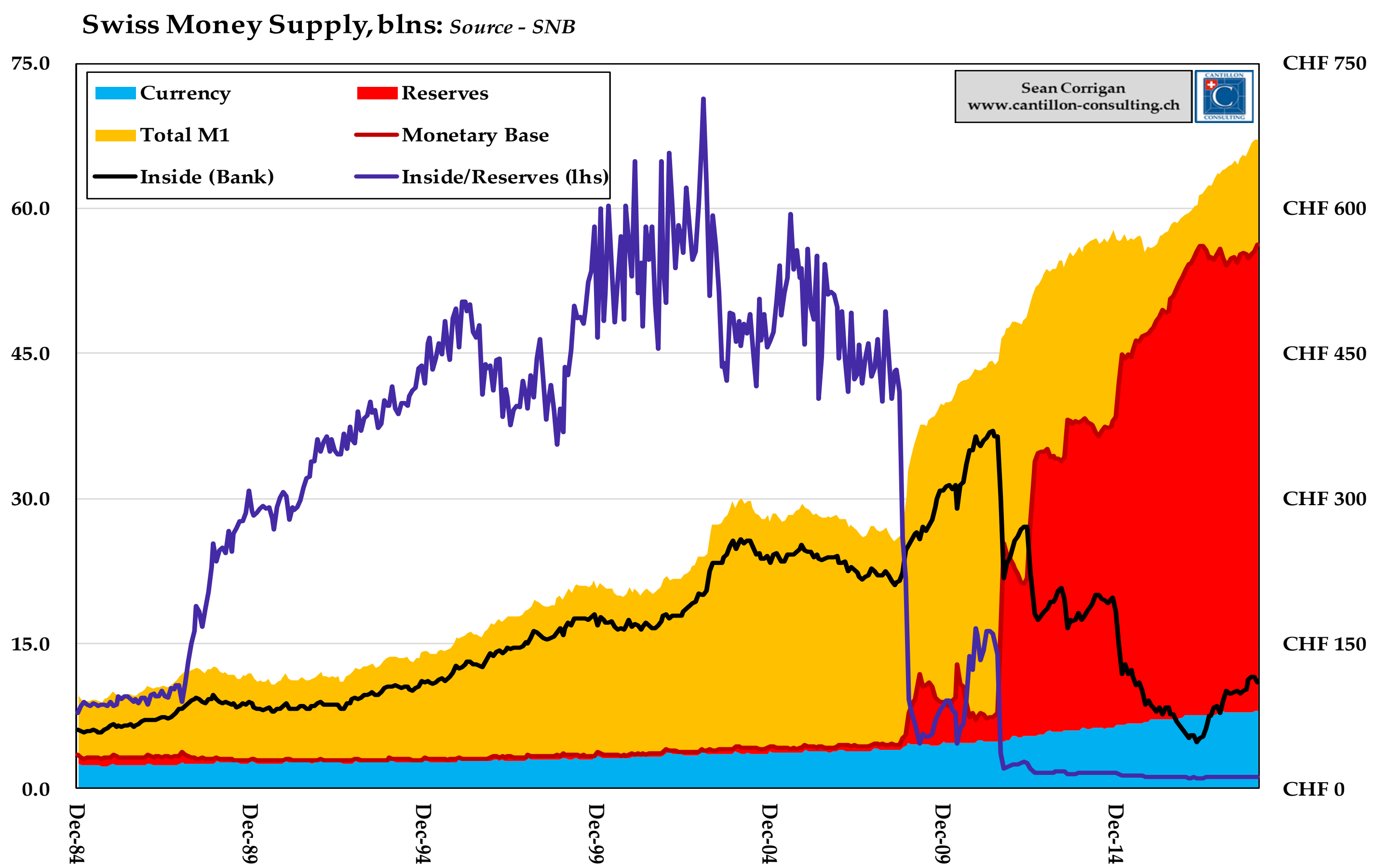
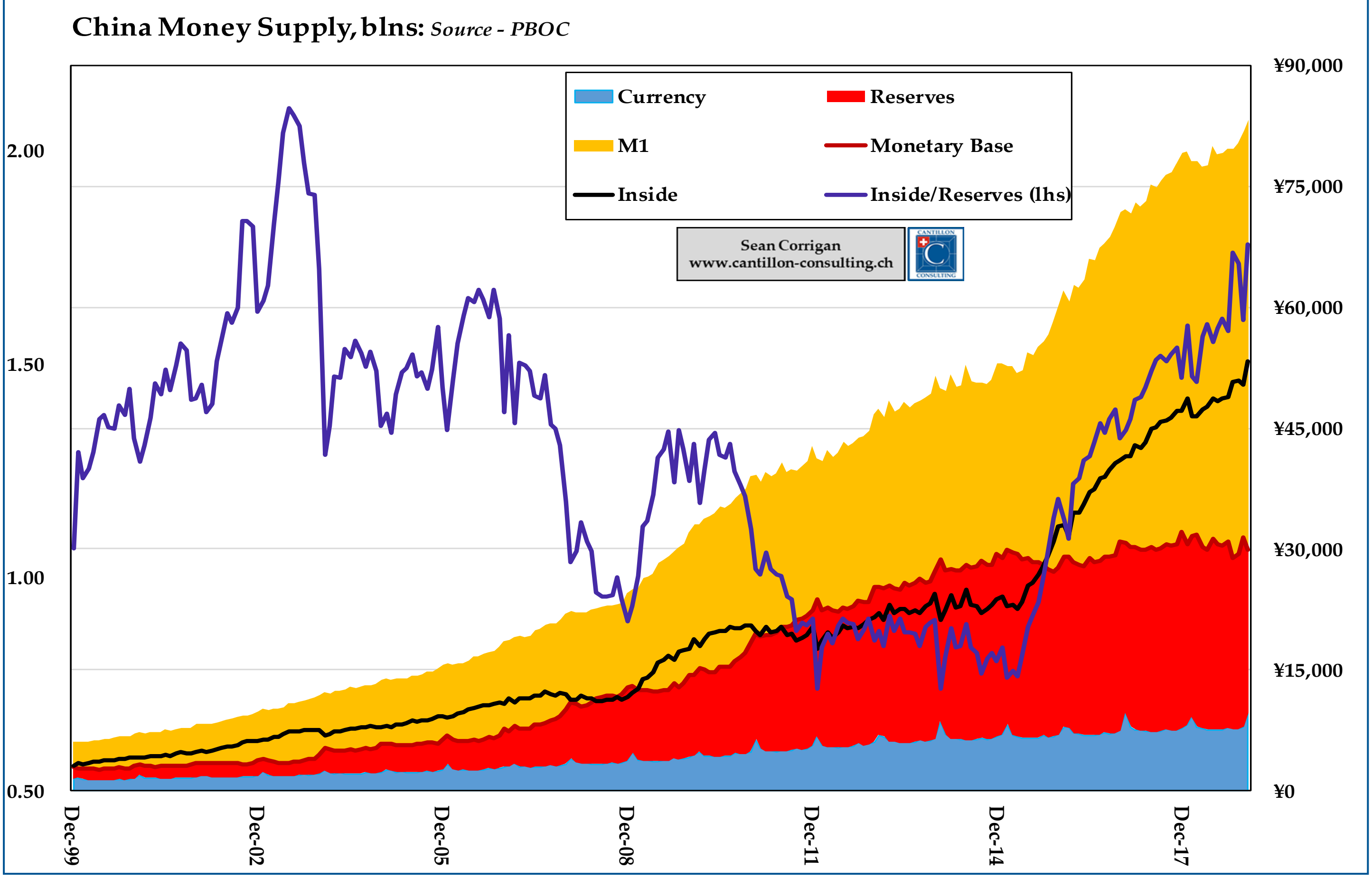


It should be evident from these graphs (we could add several other examples) that there are many moving parts in the business of money creation. The central bank can certainly incentivise banks to be more or less expansive and it can alter the factors which determine in what form and to what extent the public wishes to hold part of its wealth in (quasi) monetary form but it does *not* have a simple lever to pull.





It is a matter of no little ironic amusement that so many are pushing this 'global monetary base' concept when China's own version—above all of those included—has not done more than oscillate around much the same level for the past two years and first reached this mark a further two years earlier.



gathered them back on the other side of the balance sheet as deposits and other liabilities. Reluctantly, some of those loans were made to the central bank which could generally be relied upon to issue as many cheques upon itself (i.e., to provide as many reserves) as its own stipulations meant were demanded of it, if sometimes doing so at a Bagehotian 'penalty' rate.

In the West at least, however, the trend for almost half a century has been for that reserve coverage to be whittled away to the most nugatory levels imaginable through a process of regulatory arbitrage combined with official connivance - even, pre-GFC, to the zero level under the authority of some overseers, such as the Bank of England.

Thus, in practice, banks have been far more limited in their expansion by such things as loan-to-deposit ratios and, with even more stringency, to capital-asset ratios than they ever have been by reserves or the monetary base itself.

Even where this has not been the case - as in, say, China, where the need to sterilize currency inflows was for long the guiding principle of central bank reserve provision - no bank ever really went short, with all manner of special lending and repurchase programmes being instituted to relax any sign of effective restraint as and when it threatened to arise.

Bringing a Little Balance

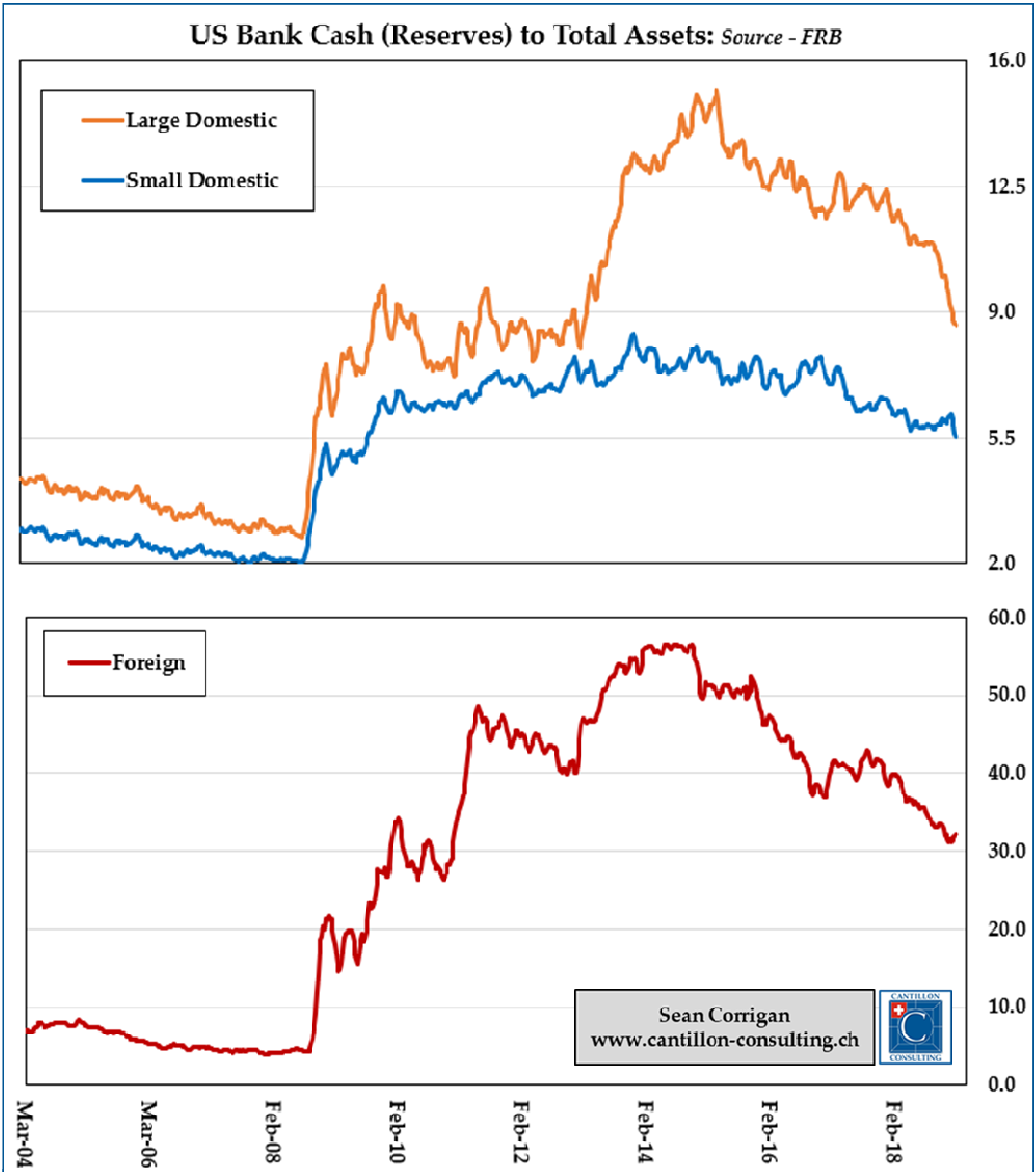
QE has, of course, driven us to the opposite side of the boat, with commercial bank assets becoming bloated with those so-called "outside" monies whose genesis lies in the gigantic asset purchase schemes unleashed in order to try to shore up the crumbling masonry of the temple of Mammon.

While no-one can credibly argue that alterations in the scale - or even, of late, the direction - of such flows is a matter of indifference for asset prices (though, even here, there are countervailing influences which can often mute their impact), a glance at the relatively unchanged trajectory of growth in money and credit aggregates as the central bank flips and flops about should amply demonstrate that there are other "inside" mechanisms which greatly dampen its effect on money creation, *per se*.

In the case of the US, three main factors served to increase this 'buffering'. Firstly, the fact that the Fed's adopted practice of paying near market rates on excess reserves – under its so-called 'floor' system of IOER - had partly converted *its* version of QE into a mere duration swap meant that banks were indifferent to the choice of whether THEY held low-yielding US Treasury paper or the central bank did; a circumstance which the subsequent rise in those same yields has naturally begun to unwind

Secondly, the compression to nanoparticle thickness of the term structure, all the way from cash to 30-years, by almost eradicating opportunity cost differences, allowed monetary 'savings' to become commingled with what were traditionally transactional media, i.e., with 'money' as properly understood. Once again, the late, partial alleviation of such conditions has allowed these sub-surface currents to reverse in strength without much disturbing the overall flow of the stream itself.

Thirdly foreign banks - which had, of course, never historically bothered to hold US reserves against their eurodollar liabilities, given that



A consequence of this is that the size of the Fed's balance sheet is not the sensitive issue so many seem to imagine it is. The reduction in frankly superabundant reserves has broadly seen commercial banks either buy the same sorts of assets the Fed is not replacing or fund others who do so in their place. Foreign banks, too, have allowed their diminished fears to lead them into making more fruitful use of their balance sheets in the US (loans up $200bln to a record; securities +$100bln) and also to moving $400 billion of precautionary deposits elsewhere in the world. One might wish for faster loan and money growth, but one must also allow for the ~$570 billion poured into bond and money-market funds since end-2017.

they were not in any way obliged to do so—responded to the Lehman Crisis by stockpiling them with alacrity, to the point that, by the time the Fed had finished pumping them into the system, they held no less than half of that mighty total despite having a footprint in the US market only around a twelfth the size of that of their home-grown peers.

As mutual confidence has returned and fears of wholesale bank runs have correspondingly declined, the appetite for having such a backstop has lessened markedly. Taking 'cash assets' as a proxy for reserve balances, foreign banks have been responsible for almost two-thirds of the past few years' reserves reduction, with large domestic banks accounting for just over a third, and their smaller compatriots remaining blithely all but unaffected by the shift.

The upshot of all this is that of the circa $1 trillion in reserve balances which the Fed has removed, these past three years or so, ordinary commercial banks have smoothly replaced these assets with a mix of direct holdings of US Treasury and Agency bonds, augmenting this with more repos, and a higher quantity of the 'other loans' category which includes securities lending.

In essence, this boils down to the fact that they have simply cut out the middleman in the Marriner S. Eccles building which had taken such securities into their custody as part of its response to the crisis. Just how smoothly this has been achieved might be inferred from the fact that the premium of 30-years over the Fed funds rate has concurrently declined from 390 basis points to just 60. The additional observation that, despite a couple of intervening scares, corporate spreads have ended this period at much the same levels as they began it could also be taken to imply that such obligations have in no way been 'frozen out' by the banking sector's adjustments.

It is hard, therefore, to avoid the conclusion that much of the Fed angst over – and the market hyper-attention to – the size of its balance sheet has been greatly misplaced to date.

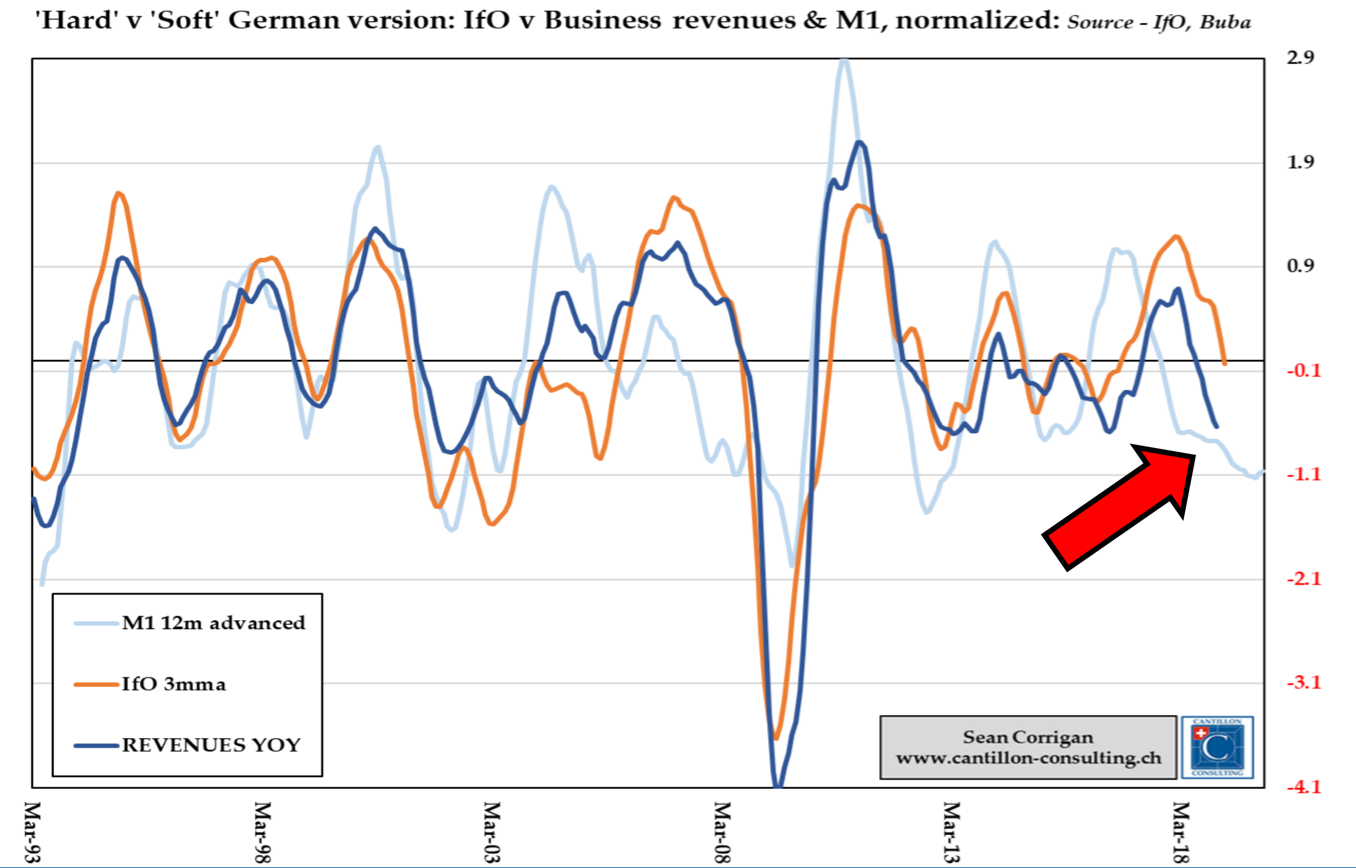
Matters *have* been somewhat different in a far more dysfunctional Eurozone – where, of course, no unwind has yet taken place (and, possibly, will never do so) and where the banking system's problems remain generally unresolved.

But, even here, we can see that the effect of the ECB's vast balance sheet expansion has principally been to substitute its 'outside' contribution for the normal business of 'inside', bank money creation and that the ongoing shrinkage in the non-M1 component of M3 – a diminution which has now stretched to €1.3 *trillion* or 25% of its 2008 peak to set it at a 12-year nominal, 17-year real low).

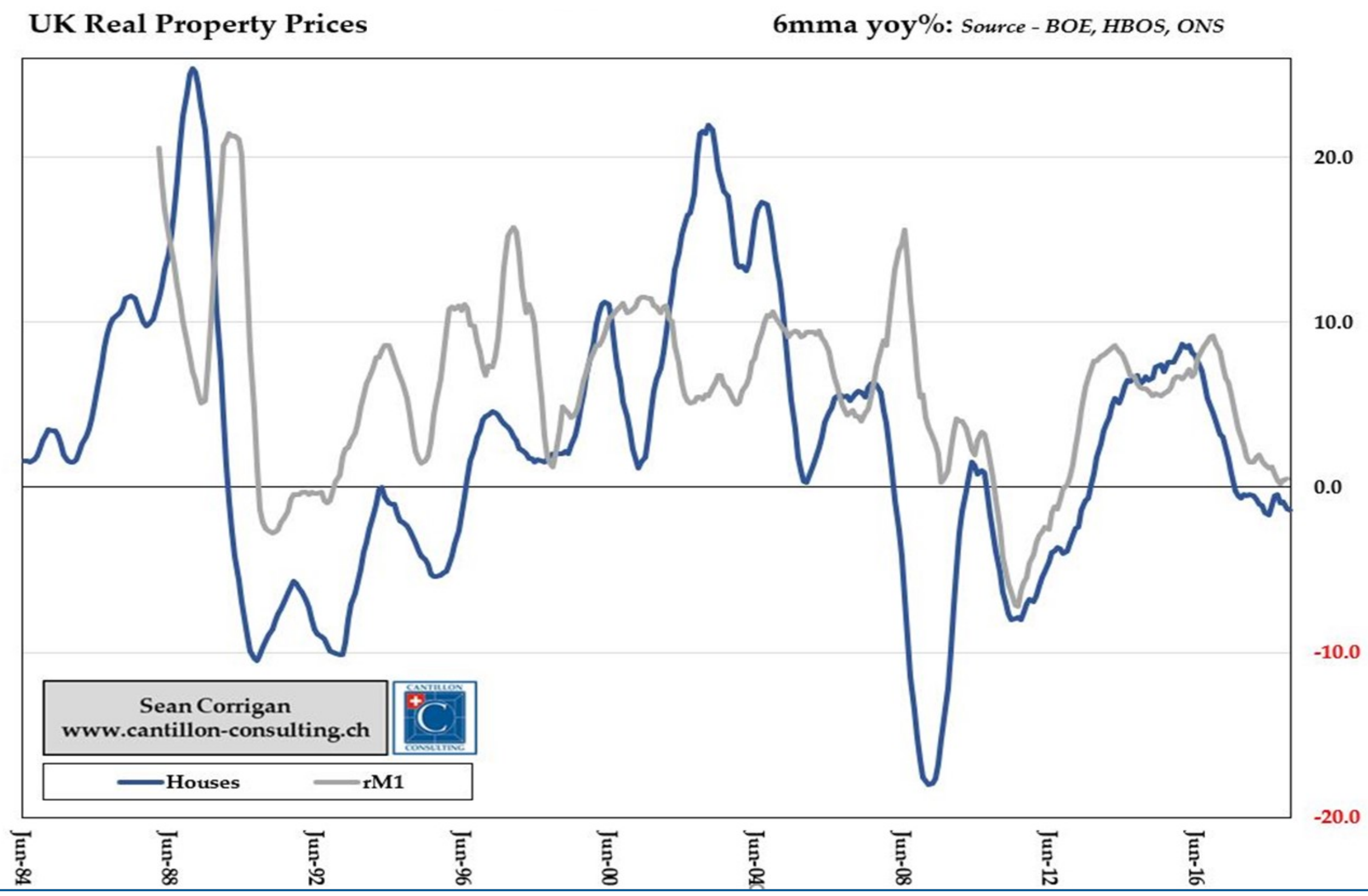
In plunging from a 2002 ratio in excess of 12 to 1 to a current mark of under 3 to 1, Euro M3-ex-M1 has thus fallen fourfold relative to the monetary base, while M1's 'inside' money (the multiplicand) ratio to MB (the supposed multiplier) has simultaneously slumped from 4.3 to 1.6 - a process which should definitively give the lie to all ideas of some highly automatic control mechanism lying at the CB's disposal.

Renewed Negative Vibes

Not that much of this has made it through to the Wise Monkeys who run our great central



Which is not to say that pressure is not being felt elsewhere. As the updates here demonstrate, a genuine monetary drag is being felt in places beyond the States. One must always be ready to admit that the division of cause and effect between the monetary and real sides of the economy is not always trivial to identify (as the logo on our frontispiece tries to point out), but what *is* clear is that Europe, the UK, Australia,



banks, of course. *They* are still wholly drunk on the unprecedented display of power allowed them this past decade and are therefore still giddy at the prospect of committing even more sins against time preference, security pricing, and rational capital allocation.

One doesn't have to look far to find instances of this.

The Fed's incomprehension of its role is, we have suggested, made plain by its public agonising over the balance sheet, but it has not let that lack become a hindrance to it. Indeed, its various presidents and their packs of pet researchers have been busy, throwing up all manner of wheezes with regard to such matters as the future, more routine use of QE (a classic example of the 'Three Stages of Truth' trope – first ridiculed, then opposed, then accepted as mundane – in operation).

There have also been discussions on its pages of how negative interest rates really *can* be effective – one chiming with what Larry White points out is the 'rediscovery' by a couple of IMF geniuses of the Mediaeval concept of 'crying down', or lowering, the effective value of the circulating currency against a disembodied unit of account which will be subject to binding negative rates and hence whose exchange value against goods will be progressively leaching away.

What all of these sorcerer's apprentices fail to fathom is that negative rates are a thoroughly unconstitutional tax on money—and a highly regressive one at that—in that they force the least financially expert and least well-endowed to plump for inappropriately risky or illiquid investments – ones often embedded in instruments whose complexities are beyond their vendors' full understanding, much less that of their desperate purchasers'.

Worse, in order to avoid the erosion of the value of her mite, under negative rates, the poor widow will have no protection save by sacrificing prudence, flexibility, and security for a deplorably premature - and distinctly second-best - choice of material goods to buy with it instead.

In doing all this, we further divorce the planning of future provision from today's willingness and capacity to save, as well as concentrate too much of the current mix of supply possibilities on either no-better-option or credit-dependent consumption. Either way, we reduce the coherence of economic and entrepreneurial planning and divert the wellsprings of our material resources into a mire of wastefulness.

Flucht nach vorn

Adding to the foreboding that more mischief is afoot, we have recently been given hints that the Fed might be considering an alteration to its already loose policy framework, whereby it would target not a given spot inflation rate, but a long-term *average* one. This idea is one which makes a fetish not just of some chosen first derivative of the price level (as is a common piece of central bank shamanism) but of some arbitrary timeline of the *level* of that highly abstract measure itself.

As such, it is not entirely a novelty, being something to which Draghi alluded almost three years ago, musing at one of his post-meeting press conferences that: *"…we'll have to define the medium term in a way that, if the inflation rate was* *for a long time below 2%, it would* [then] *be above 2% for some time…"* All of which the BOJ enshrined into its '*inflation overshooting commitment*' later that year as part of a policy which we characterised at the time as a macroeconomic tripwire attached to a very powerful IED or 'Inflationary Explosive Device'.

Further reinforcing the cluster of errors, ex-IMF chief economist, Olivier Blanchard, has been rehashing that familiar theme that if the government can borrow at such low rates as are in evidence today, then deficit spending is pretty much a free lunch since even the minimal increments to growth to which this might contribute would handily outstrip the accompanying interest bill. It's hard to resist the comment that this is only a step or two removed from that errant nonsense of MMT – another piece of tired quackery which tries to defend the preposterous position that government deficits are never actively harmful and may even be a positive social good.

Symptomatic of this, David Andolfatto, of the St. Louis Fed's economics department, recently replied to a tweet of mine in which I dismissed that latter nonsense by saying something to the effect that he'd rather see MMT borrowing for 'elected officials to fund schools' than have bankers finance their - scornful quotation marks included in the original - 'investment projects'.

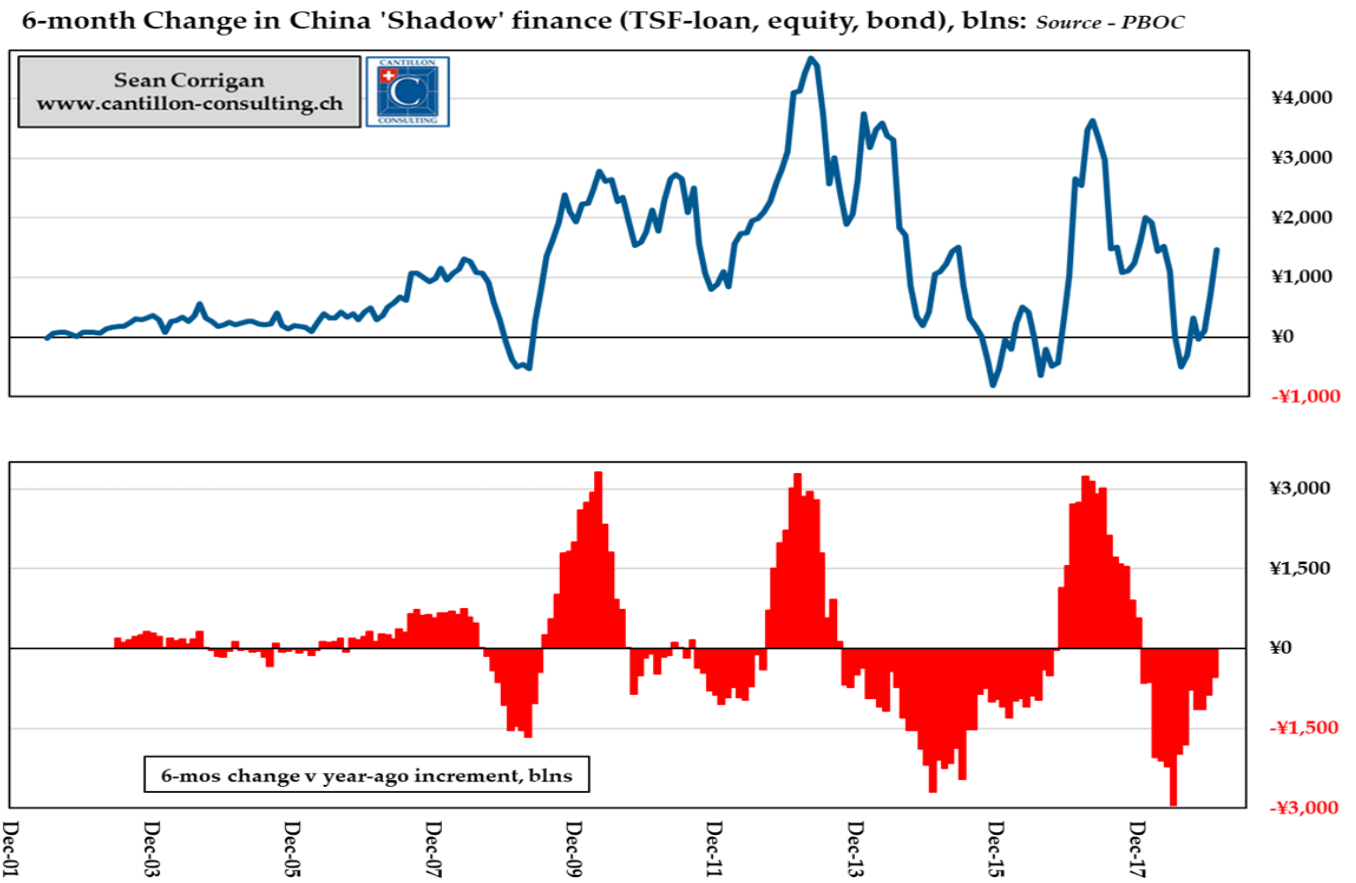
It would be hard to imagine making more efficient use of a 280-character limit to invoke a strawman; to worship at the feet of false gods; to demonize the opposition; to commit the rhetorical sin of *ignoratio elenchi*, <u>and</u> to raise a false dichotomy – not to mention that the tweet was replete with the irony that it came from a man whose own employer exists to make his presumably-reviled bankers' worst misallocations and towering blunders even at all possible!

But the rot does not stop there. Former BOJ Deputy Governor Iwata—a man given the dubious accolade of being the inspiration for the bank's doubly q-questionable QQE approach—is demanding this very scheme should be put into practice at once. For Iwata-san, what the well-being of his greying band of fellow citizens most urgently requires is for vast and seemingly indiscriminate government spending to be unleashed; the whole being financed directly from the central bank's merrily-humming printing press. And all so that self-adopted millstone of a 2% p.a. CPI increase hangs a little less heavily about the necks of the pensioners' masters at the BOJ.

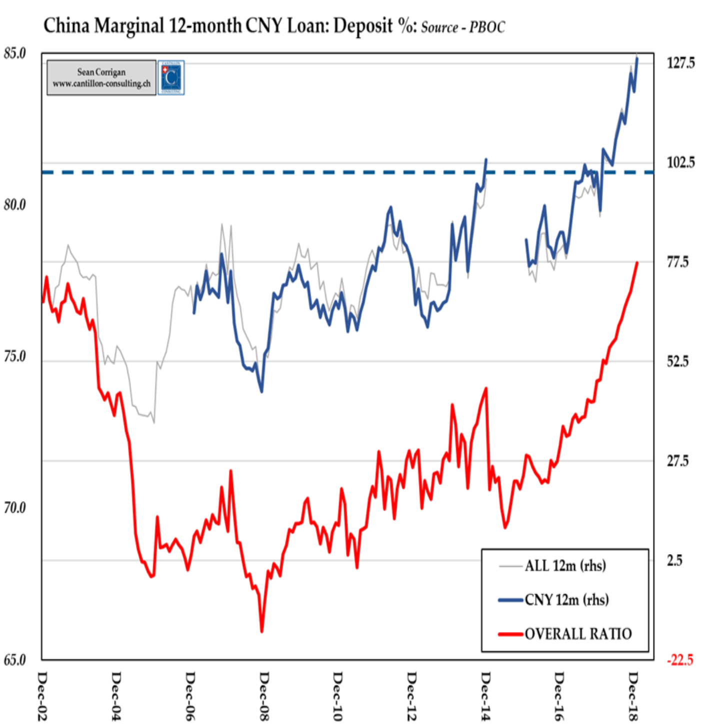
Negative Vibes

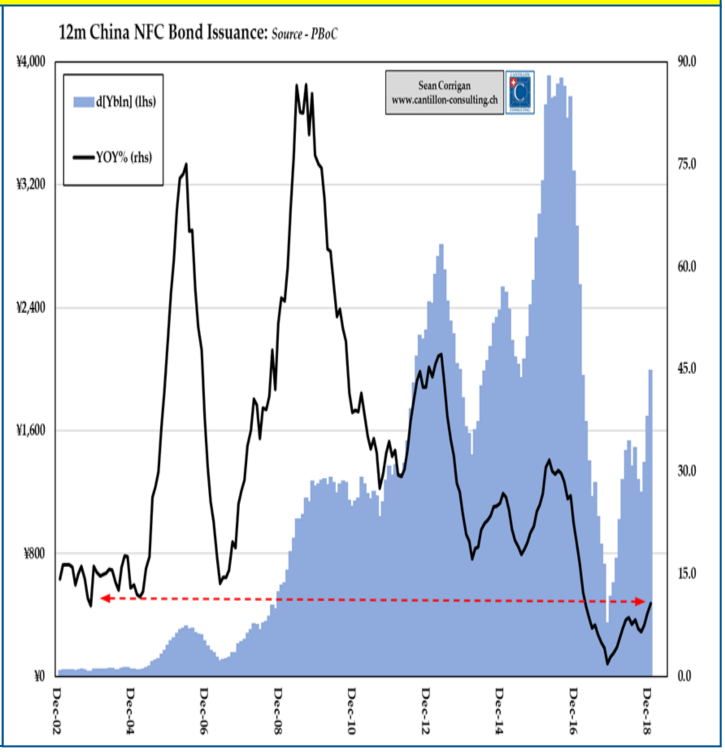
In part, this current outbreak of fiscal and monetary wishfulness is linked with the highly-orchestrated blare of climate 'catastrophe' to which we are being incessantly subjected, given that its unworkable, uncosted, electorally unmandated, and often downright deceitful fantasies of rapid 'decarbonisation' will require Soviet-style - much less rose-tinted Rooseveltian - levels of central planning, legalistic tyranny, and the wholesale commandeering of resources from us Kulaks to attempt.

In part, it is also linked to that strand of unallayable Keynesian pessimism which gives rise to theories of 'secular stagnation' (a phantasmagorical disease which would conveniently find its cure, so many of its proponents suppose, in



Such was the desperation to try to kick start activity in January that something of an uncontrolled rush broke out, reportedly prompting an alarmed central bank to issue a mid-month edict tell its vassals to rein back in a touch. Nevertheless records were broken , as we all know. Turnover also soared, interbank being up 36% yoy, repo 29% and bond trading a massive 61%. Curiously, despite taking out 'only' CNY990 billion in loans, household deposits soared by almost Y3.9 trillion - and don't forget that notes & coins also jumped Y1.4tln. Rumours were also heard that a sizeable chunk of business loans were made as part of an arbitrage between bill discounts and structured deposits, helping banks meet targets.





the limitless expenditure and unparalleled boondogglery of the 'Green New Deal').

Lately revisited by other members of that same St Louis Fed stable with whom we earlier took issue, much of this revolves around the notion of a lowered 'natural' rate of interest and the irresistible excuse which such a concept provides for further monetary laxity. At root, however, this constitutes a wholly circular argument, even when viewed in the light of the mainstream's own intrinsically-flawed productivity theory of interest.

To see this, start from the simple – and presumably uncontroversial - premise that, once you lower rates artificially, you enable all sorts of low return, slow gestation, and high-risk projects to be undertaken which would have been precluded had capital means been priced at levels more representative of people's *ex ante* ability and willingness to fund them. Note that one might even refer to such enterprises as being those of lowly *productivity* - productivity of real value, at least. Hence, by stimulating their rapid propagation, we are well on the way to confusing the pathology of the disease with the very pathogen which caused it.

Why do we say this?

Well, it must be obvious that such projects are inherently vulnerable to any adverse change in circumstance. This proposition holds even when they do actually generate a positive cash flow of some kind and in spades when they are 'Triumph of Hope over Expectation' start-ups of that all-too common type which are wholly reliant on those serial infusions of financial capital which only eventuate when money is too easy and its opportunity cost too low.

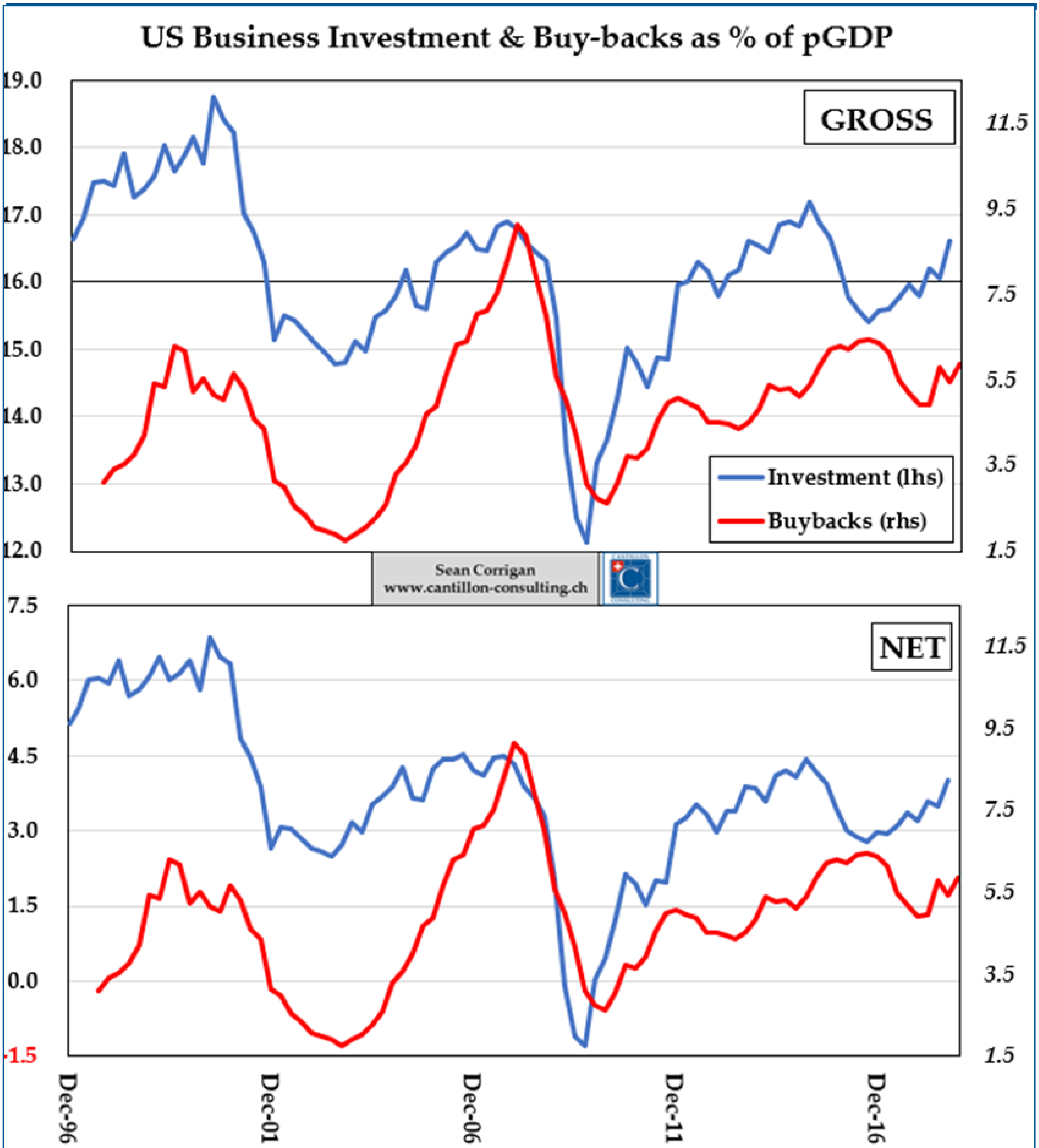
Thus, one should not be at all surprised that the first hint of greater financial stringency starts to topple them above all others. That, as they tumble, stock prices fall, creditors are bilked, companies fail, and howls of anguish echo from all corners of the economic landscape.

But, rather than objectively analysing the policy errors which led to such a sorry pass, the Powers-That-Be will instead hew to a doctrine which we might categorise as the 'Survival of the Unfittest'. As part of the mental contortions required to attribute blame elsewhere for a disaster of their own making, the Technocrats now persuade themselves that this could only have occurred because that helpfully unobservable 'natural rate' has fallen and so they will immediately rush to keep such sub-marginal and - frankly - such *stardust* undertakings in business.

Of course, this further lowering of the rate of return also unavoidably encourages newer, even less intrinsically viable ventures to be launched and so the ratchet takes another turn lower. If we keep blowing bubble upon bubble, we are eventually left with an economic structure comprised of nothing but the most insubstantial foam, one which quivers alarmingly at every passing breeze and gentle tremor.

Once again, we will be told, to the background chorus of pop-pop-popping, this most unnatural of 'natural' rates has patently again declined and it is time to man the pumps anew!

At this point, we find ourselves inhabiting a bleak economic landscape in which the central bank manfully strives to prop up bad banks; banks whose weak capital ratios make them unable to foreclose on their extensive clientele



To chip in on the great stock buyback debate. It is undoubtedly the case that debt-financed buybacks can be abused by a manipulative CEO. But ban that and you also need to look long and hard at private equity—or, indeed, at debt-enabled M&A in general. Moreover, the past 20 years of data hardly support the contention that buybacks move in opposition to business investment: rather it shows that both are understandably cyclical. Since the mid-90s, US non-financial firms have issued $6.2 trillion in equity and undertaken $6 trillion in buybacks. One could argue this recycles capital from where it is no longer required to where it is. Another $6+ trillion has been 'lost' to M&A while $8.7tln has been returned to shareholders in the form of dividends. Yet STILL companies have managed to spend $30 trillion in gross, $7.3tln in net, capex. Not too shabby, I'd say.

of deadbeat, 'zombie' companies now being run purely for cash and so preventing the release of resources and manpower—not to mention balance sheet capacity—to the newer, more vigorous entities which could otherwise take their place.

A process long documented by Professor Keiichiro Kobayashi in the case of Japan, it is grimly amusing—in light of the ECB's present woes—to see a couple of its in-house researchers, Andrews and Petroulakis, come belatedly to much the same conclusion (though without any acknowledgement of Kobayashi-san's precedence in the matter from what your author could gather).

Don't hold your breath, waiting for their bosses to take note, though, Coeuré, Praet and others are already promising to Rinse-Wash-Repeat as yet another failed recovery looms on the horizon.

Goldilocks Gone Gaga

It is almost too wearisome to relate that the Fed's back-pedalling, the frantic thrashing about of the drowning man which is the PBOC, and the all-too inevitable signals being given off by the ECB that – surprise, surprise – it might soon take back up what it has only just left off has occasioned a classic burst of mass cognitive dissonance.

Thus, at the same time that everyone is fretting at a bout of imminent economic weakness to be set somewhere on a scale which reaches from a mild 'profits recession' via the Death-of-the-Dollar and a second Great Depression to the final demise of whatever it is that comprises the 'Neoliberal World Order', they are frantically buying equities to double-digit gains because the same central banks they have been openly deriding for having no backbone are now on the verge of a complete metamorphosis into jellyfish of the most mucilaginous, 'Whatever it Takes' kind.

This leaves us in a technician's paradise, a value investor's state of puzzlement, and a Permabear's version of Purgatory. Risk assets are once again bid, credit spreads are compressing and volatility measures swooning even as evidence mounts of a widespread *ritardando* in the global economic tempo and gold pops its head above the parapet.

This is evidently not a stable environment in which to be committing too much of one's capital, hence our categorisation of the market as one perhaps best left to those with a talent for reading the tape and ignoring the cacophony of conflicting signals being generated over in the 'fundamental' corner of the room.

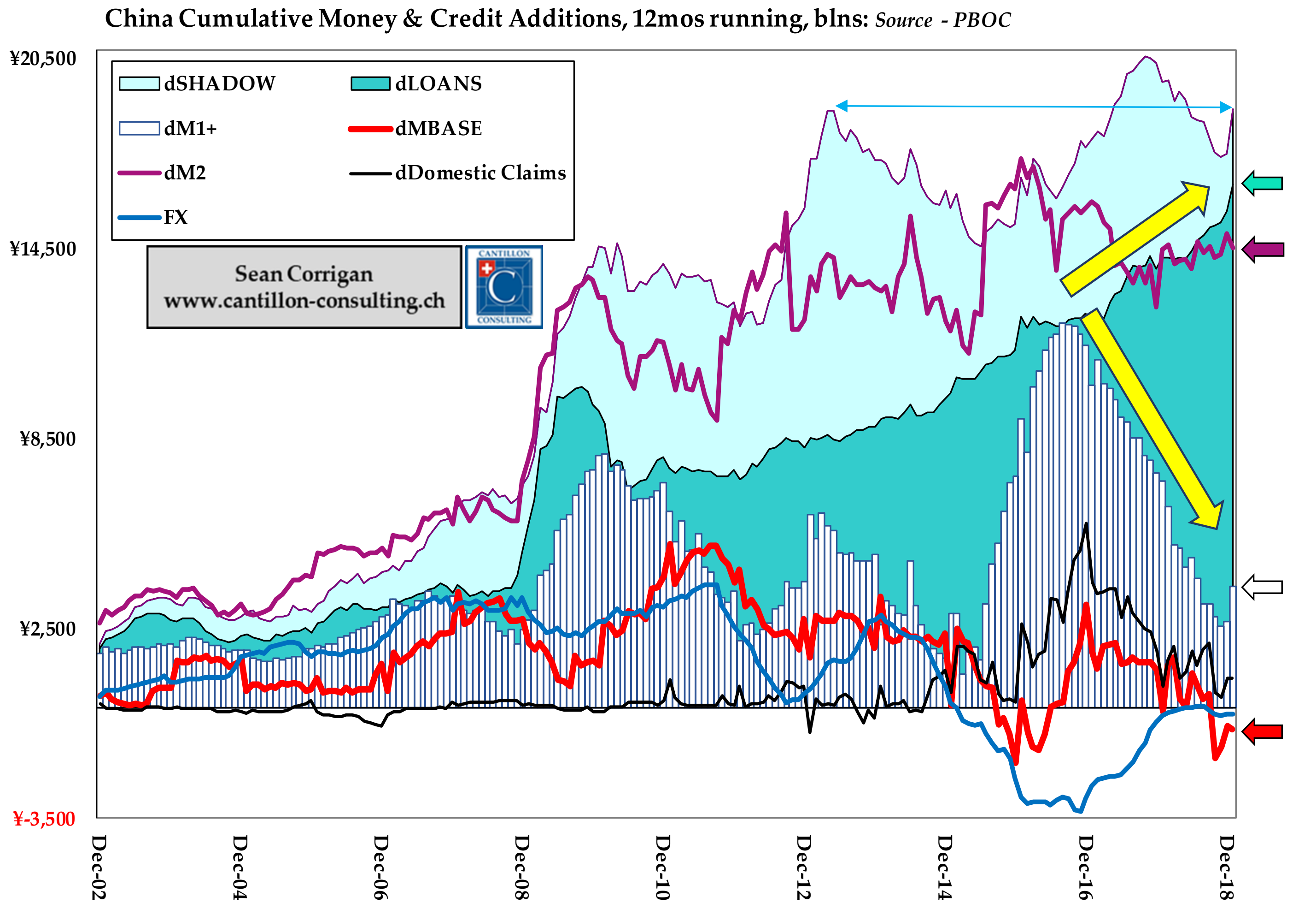
For as long as the belief persists that the big central banks will respectively stop tightening, reverse the halt to easing, and continue to find ways to inject cash into the market, the trend of the past few weeks may well make further progress in reversing the autumn's white-knuckle descent.

The short-term risk, however, is that, out in the real world, little of this filters through to faster sales growth and even less of it reaches through to the bottom line.

The longer-term risk is that a world where, in order to protect itself from the rage of the Forgotten Man, the well-oiled and bottomlessly-pocketed Davosian Machine is staging a multi-pronged diversionary attack on free market capitalism and individual liberty, much of it

under the cover of that confected planetary 'catastrophe' whose declaration we cannot escape, the scope for making genuine returns to capital over any longer horizon will shrink faster than a WEF alarmist's imaginary ice-cap.

Sean Corrigan



Lurking in this graph is the amusing fact that, in a month when China broke all records at credit provision, especially of loans (cyan arrow)—and, so, yes, it goosed the stock and bond markets—the monetary base actually FELL both on a rolling, cumulative basis (red arrow) and month-on-month, stretching the period during which the measure has not done more than oscillate to some two years.
For reference, January scored: MB –¥1.5 trillion, M1-ex-MB +¥2.9 trillion & M2-ex-M1 +¥2.6 trillion.
Definitive, huh?

What a difference the turn of the calendar made this year. Having given everyone a fit of the vapours with its 'Worst Quarter since the Great Depression' trope, all of December's losses –and more—have been made good in the first seven weeks of the year ,with the Value Line approximation of the median stock having rallied a commendable 23% from the depths, St. Stephen bringing us whatever one would call the opposite of his colleague's, St Valentine's, traditional massacre.

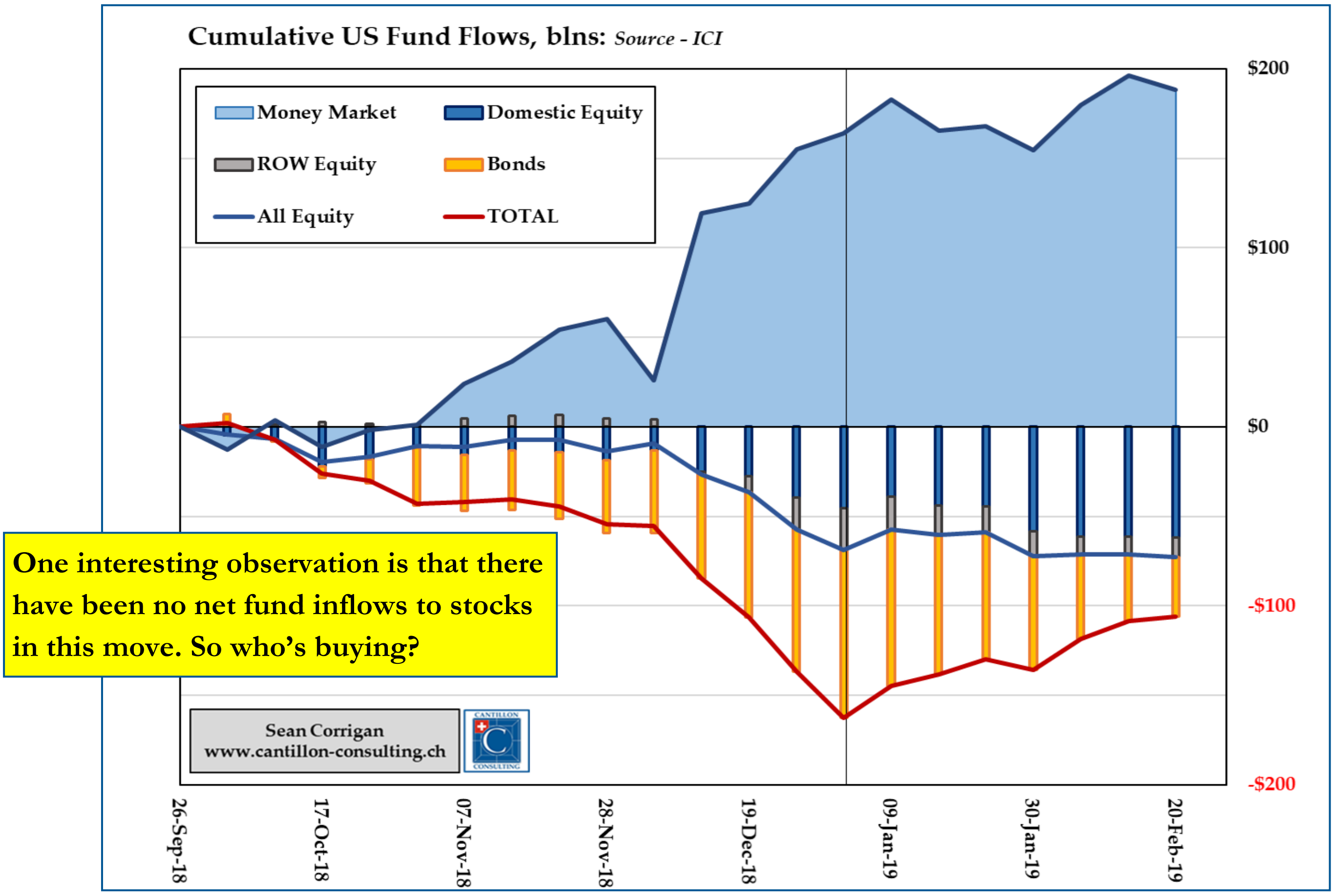
Does the rebound make sense? Did the preceding sell-off? Or the rally before that? Do markets ever 'make sense'?

As the old saw goes, the stock market isn't there to make you rich: it's there to protect your wealth from inflation and taxes. So, to the extent that the first disease is endemic (and arguably about to become intensified) and the latter has certainly held true in the US this past twelve months (if only by proxy) then the answers to our questions could be: 'perhaps', 'no', 'yes', and 'never!', respectively.

But if how we got here is still a matter for contention, where we go next is far more indeterminate a proposition to tackle. As an old trooper of jaundiced disposition, your author hates effortless and indiscriminate bull markets with a passion but he's also wizened enough to know that you have to play the cards in front of you. It is clear that a certain *ennui* with the good times has become widespread and that the ranks of Permabears have swollen alarmingly as the current phase has dragged on. The world is not, after all, short of those trying to ensure they get to put 'The Man Who Predicted the Recession' in block capitals on their Linked In profiles, THIS time around.

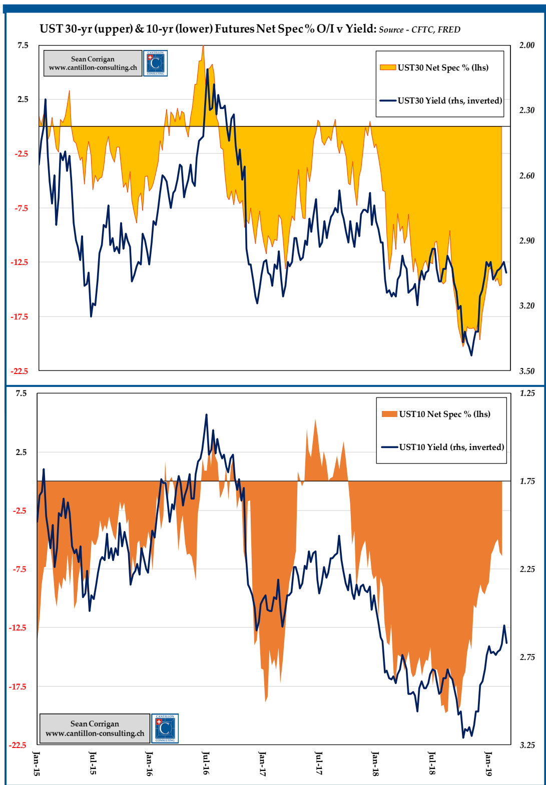
But, though once generally counted among their number, I confess to finding their mindless carping every bit as grating as I do the affected woefulness of all the other, "Scientists say…", "...Doctors demand…", "...Experts insist…", virtue-signalling, charity-mugging, WEF echo-chamber, Nanny State doom-mongers who so plague every other facet of our lives.

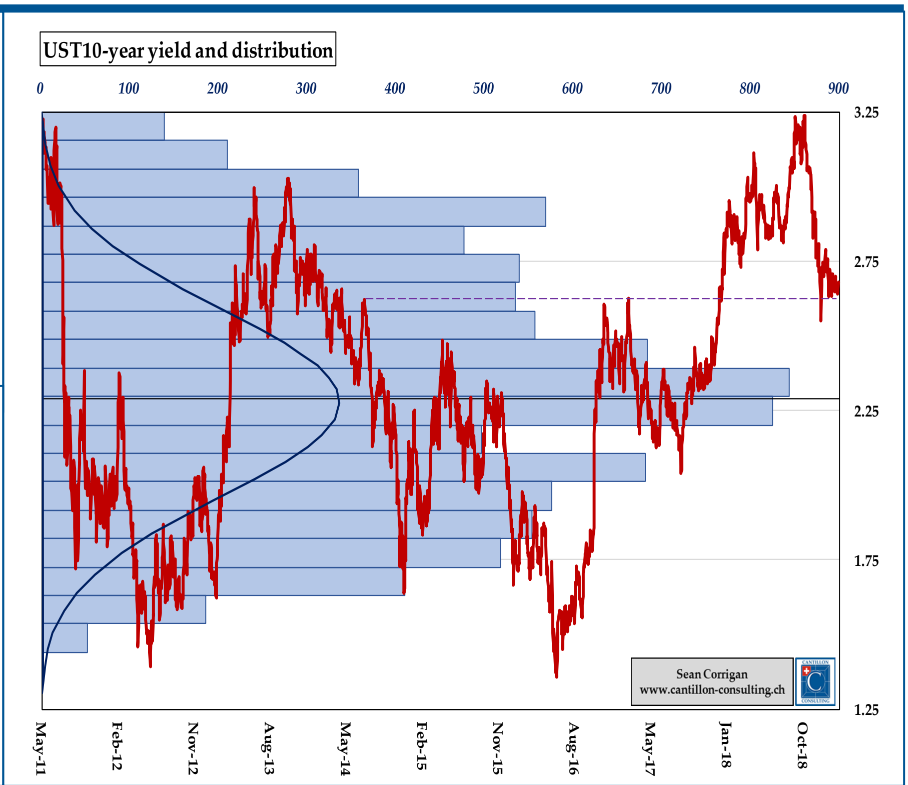
Try instead to live by Will Roger's timeless dictum: buy the stocks which go up: if they don't go up, don't buy'em!

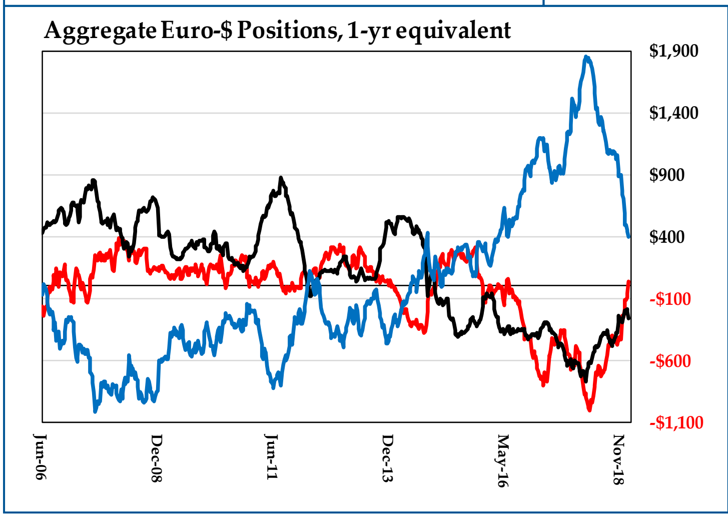


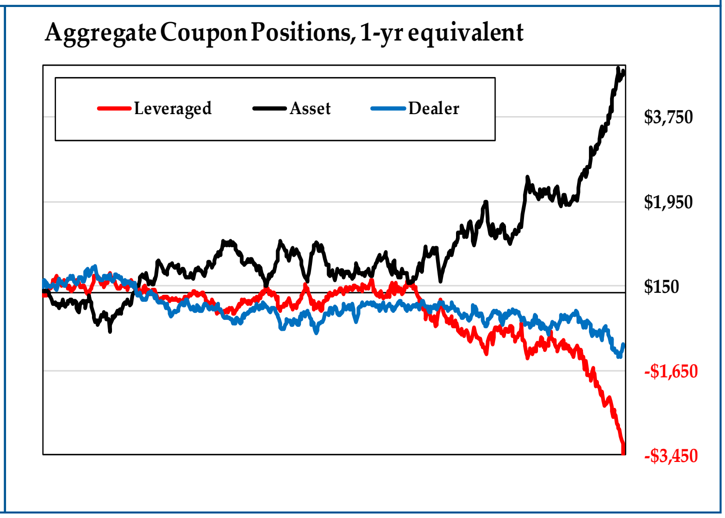
Remarkably, stocks are back within 6% or so of the highs, thanks to the last few weeks' turn around. Bears will be anxious to try to hitch a ride on any renewed loss of nerve, firstly against a possible channel top and, ultimately hoping to see that form a large-scale head-and-shoulders.

Bulls, conversely, will wish to retain control just that bit longer, trigger short-covering, and hope to sail up past last summer's peak to a post-Lehman objective some 15% further beyond that earlier zenith.







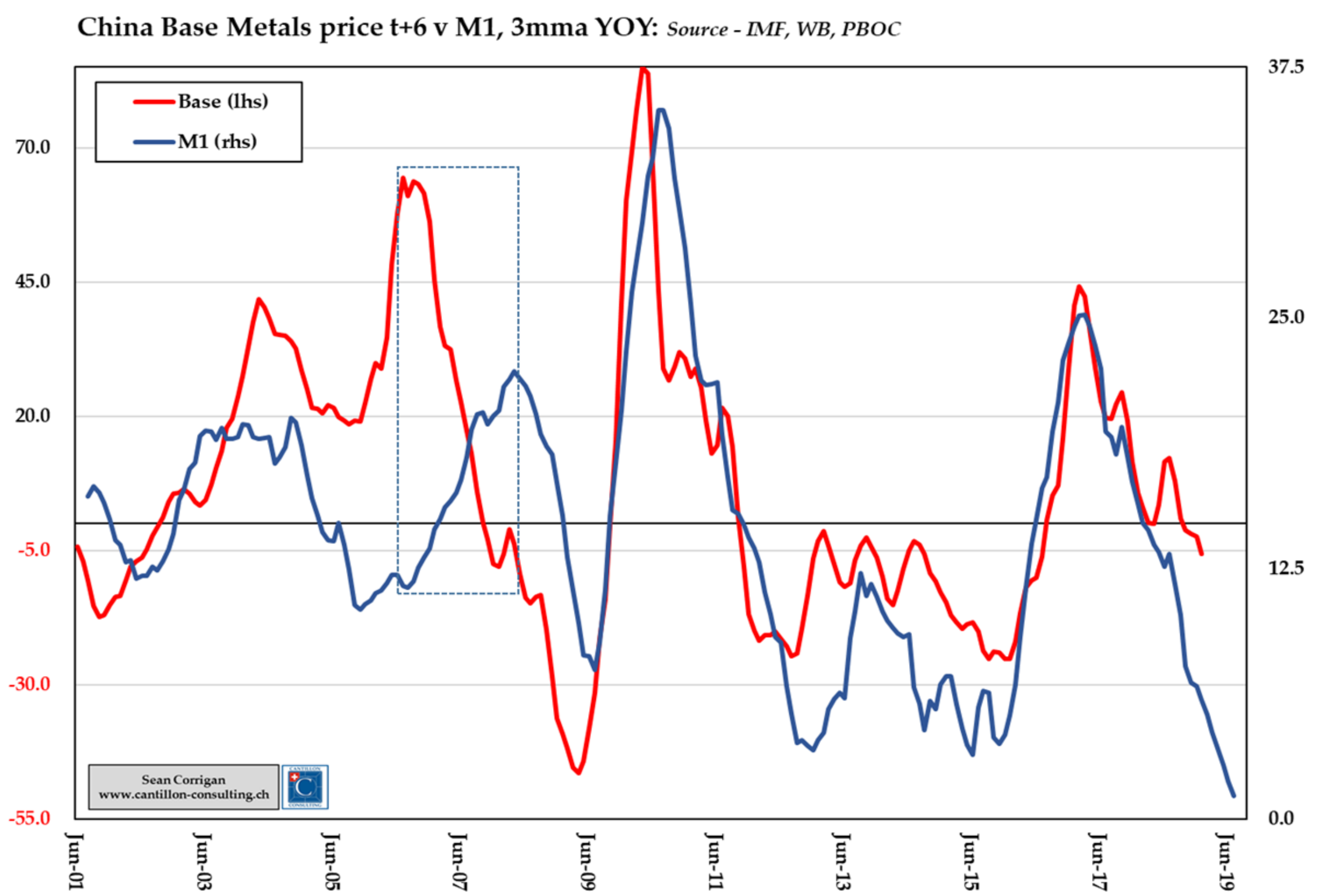


The distribution traced out by US T-Note yields this past 7 1/2 years forms a fairly well-balanced, quasi-normal distribution (top right) hinting that a mean reversion to 2.25% is possible if yields can drop just a little further; something which the old-style plot of 'non-commercials' (top left) tells us would require a further capitulation among its still sizeable corpus of shorts.

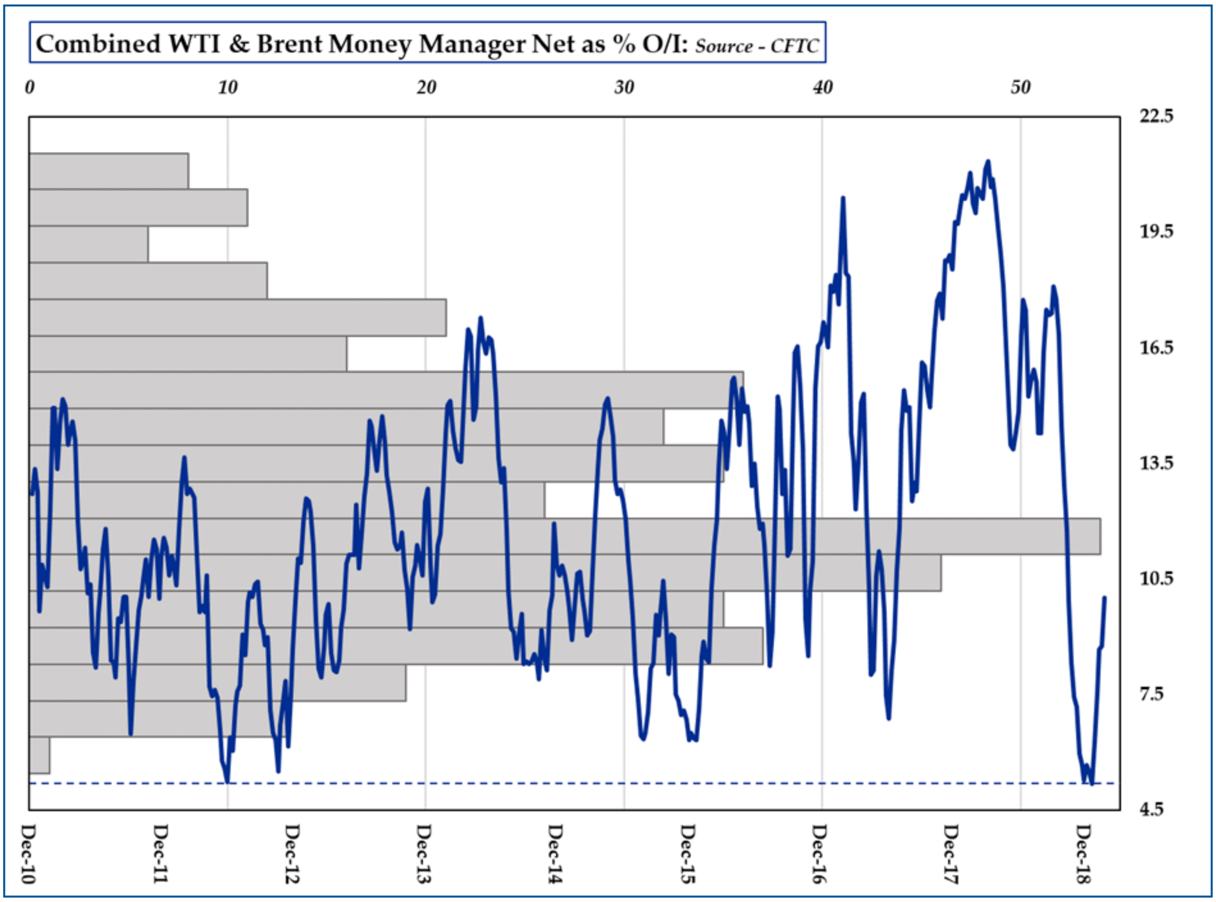
We get a slightly different picture when we look at the disaggregated report's coupon position (bottom right), for now we can see that asset managers are already eye-wateringly long.

Thus, our putative rally would require their continued reluctance to sell as and when the Leveraged, CTA crowd scrambles for cover, forcing up the price and down the yield of the contract in the process.

Though what the lower chart tells us about underlying conditions should have allowed copper to complete a large, bear flag, our idea of keeping stops well-managed around the gap near $2.88/lb proved wise. The new burst of speculative enthusiasm—emanating principally from China—means $3.03 is a likely objective and, beyond that, the $3.09 middle of the band which held for around 12-months prior to last summer's decline, is also feasible.



Despite the trend break, in order to get really excited, gold needs to take out all those prior highwater marks around the $1375/oz level. That said, its performance in what should be an unfavourable milieu—i.e., a market where volatilities are falling, credit spreads are tightening, risk assets in general are thriving, and the USD is strong—is undeniably impressive. On that last account, gold has also broken clear trend lines in, e.g., yen and euros, in the latter case opening up the possibility of a run to €1250.



As a comparison of the latter part of the two charts will reveal, oil bottomed when the last of the record long speculative holdings was liquidated, just as 2018 drew to a close: a bounce which coincided, as did much of the slump, with happenings in the stock market. Since then the move has seen a combination of leveraged buying and producer selling but progress has been hard to come by of late. WTI needs to surmount the $59.60 midpoint and, ideally, $62.75. Rolling over here instead argues for a run at 2016's lows.

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